

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Worcester Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: November 15, 2017

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY18 (since the amount under the prior schedule was maintained in FY18) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.50% to 7.375%.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

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SECTION 2: Valuation Results for the City of Worcester Retirement System

CHART 16

Funding Schedule

| (1) Fiscal Year Ended June 30 | (2) Employer Normal Cost | (3) Amortization of 2002 ERI Liability | (4) Amortization of 2010 ERI Liability | (5) Amortization of Remaining Unfunded Liability | (6) Total Plan Cost: (2) + (3) + (4) + (5) | (7) Total UAAL at the Beginning of the Fiscal Year | (8) Total Plan Cost % Increase |
|--|--------------------------------|---|---|--|--|--|---|
| 2018 | \$12,149,003 | \$1,534,338 | \$547,217 | \$31,957,912 | \$46,188,470 | \$478,411,221 | -- |
| 2019 | 12,680,965 | 0 | 547,217 | 35,870,162 | 49,098,344 | 494,683,542 | 6.30% |
| 2020 | 13,172,023 | 0 | 547,217 | 38,472,299 | 52,191,539 | 516,415,876 | 6.30% |
| 2021 | 13,681,994 | 0 | 547,217 | 41,250,395 | 55,479,606 | 529,875,357 | 6.30% |
| 2022 | 14,211,602 | 0 | 0 | 44,763,220 | 58,974,822 | 525,179,401 | 6.30% |
| 2023 | 14,761,602 | 0 | 0 | 47,928,633 | 62,690,235 | 515,846,875 | 6.30% |
| 2024 | 15,332,774 | 0 | 0 | 51,306,946 | 66,639,720 | 502,427,212 | 6.30% |
| 2025 | 15,925,931 | 0 | 0 | 54,912,092 | 70,838,023 | 484,390,385 | 6.30% |
| 2026 | 16,541,913 | 0 | 0 | 58,758,905 | 75,300,818 | 461,152,318 | 6.30% |
| 2027 | 17,181,595 | 0 | 0 | 62,863,174 | 80,044,769 | 432,069,927 | 6.30% |
| 2028 | 17,845,886 | 0 | 0 | 67,241,704 | 85,087,590 | 396,435,751 | 6.30% |
| 2029 | 18,535,727 | 0 | 0 | 71,912,381 | 90,448,108 | 353,472,108 | 6.30% |
| 2030 | 19,252,097 | 0 | 0 | 76,894,242 | 96,146,339 | 302,324,757 | 6.30% |
| 2031 | 19,996,012 | 0 | 0 | 82,207,546 | 102,203,558 | 242,056,016 | 6.30% |
| 2032 | 20,768,526 | 0 | 0 | 87,873,856 | 108,642,382 | 171,637,294 | 6.30% |
| 2033 | 21,570,734 | 0 | 0 | 89,940,991 | 111,511,725 | 89,940,991 | 2.64% |
| 2034 | 22,403,771 | 0 | 0 | 0 | 22,403,771 | 0 | -79.91% |

Notes: Fiscal 2018 contribution set at budgeted amount.

Recommended contributions are assumed to be paid at the beginning of the fiscal year.

Item (2) reflects 2.5% growth in payroll for 2017 and 3.5% growth in payroll thereafter, as well as a 0.15% adjustment to total normal cost to reflect the effects of mortality improvements due to the generational mortality assumption.

Projected normal cost does not reflect the future impact of pension reform for future hires.

Projected unfunded actuarial accrued liability reflects deferred investment losses. Recognizing deferred investment losses means the System is anticipating investment losses on an actuarial basis.